

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES
MEDICAL ASSISTANCE ADMINISTRATION
Olympia, Washington**

To:	Pharmacists Managed Care Plans Regional Administrators CSO Administrators	Memorandum No. 02-07 MAA Issued: March 6, 2002 For Information Call: 1-800-562-6188
From:	Douglas Porter, Assistant Secretary Medical Assistance Administration	
Subject:	Change in Reimbursement for Schedule II Drugs	

Effective with dates of service on or after April 1, 2002, the Medical Assistance Administration (MAA) will reimburse pharmacy providers for Schedule II drugs at 89% of Average Wholesale Price (AWP), plus the appropriate dispensing fee.

Attached are replacement pages J1/J2 for MAA's Prescription Drug Program Billing Instructions, dated December 1998.

Remember to bill MAA your usual and customary charge for the product you dispense. Reimbursement will be the lower of the billed charge or the maximum allowable fee.

To obtain MAA's Billing Instructions and/or Numbered Memorandums electronically, go to: <http://maa.dshs.wa.gov> [Provider Publications/Fee Schedules link].

Reimbursement

General Information

MAA bases its prescription drug reimbursement on (1) the standard 11-digit National Drug Code (NDC) (5-4-2 format), and (2) the quantity filled.

MAA's total reimbursement for a prescription drug must not exceed the lowest of:

- (a) Estimated acquisition cost (EAC) plus a dispensing fee;
- (b) Maximum allowable cost (MAC) plus a dispensing fee;
- (c) Federal Upper Limit (FUL) plus a dispensing fee;
- (d) Actual acquisition cost (AAC) plus a dispensing fee for drugs purchased under section 340 B of the Public Health Services (PHS) Act and dispensed to medical assistance clients; or
- (e) The provider's usual and customary charge to the non-Medicaid population.

[WAC 388-530-1300]

Bill your usual and customary charge (the charge you bill the general public) when billing MAA. **Note:** This means that if the usual and customary prescription charge to the general public is either: 1) discounted; 2) reduced (due to coupon offered); or 3) offered free, then the prescriptions billed to Medicaid must reflect the same discount or free charge.

Pharmacy promotional incentives, not related to reducing the usual and customary fee, must be offered to DSHS clients without discrimination. (Example: A \$5.00 off coupon for purchases elsewhere in the store.)

Payment

MAA may be billed only **after** you provide a service to an eligible client. Delivery of a service or product does not guarantee payment. For example, MAA does not make payment when:

- The request for payment is not presented within the 365 day billing limit.
- The service or product is not medically necessary or is not covered by MAA;
- The client has third party coverage and the third party pays as much as, or more than, MAA allows for the service or product; **or**
- The service or product is covered in the managed care capitation rate.

Tax

Tax is computed on items determined to be taxable according to the Washington State Department of Revenue.

Estimated Acquisition Cost (EAC)

First DataBank derives the Average Wholesale Price (AWP) of each product based on information they receive directly from each manufacturer or labeler. MAA determines the appropriate percentage of the AWP that represents the Estimated Acquisition Cost (EAC). Most drugs are reimbursed at the EAC plus a dispensing fee.

Currently applied EAC percentages are:

Schedule II drugs.....	89% of AWP
All others	89% of AWP

Dispensing Fees

MAA uses a three-tier dispensing fee structure with an adjusted fee allowed for pharmacies that participate in the Modified Unit Dose and/or True Unit Dose programs. *See Section E. for Unit Dose billing instructions.*

Listed below are the MAA dispensing fee allowances (**effective 7/1/00**) for pharmacies:

High-volume pharmacies (over 35,000 Rxs/yr)	\$4.14/Rx
Mid-volume pharmacies (15,000-35,000 Rxs/yr)	\$4.44/Rx
Low volume pharmacies (under 15,000 Rxs/yr)	\$5.12/Rx
Unit Dose Systems	\$5.12/Rx

A provider's dispensing fee is determined by the volume of prescriptions the pharmacy fills for MAA clients **and** the general public as indicated on the annual prescription count survey distributed to the pharmacies by MAA.

REMEMBER to include MAA clients **and** the general public in your total prescription count.

NOTE: Sale or transfer of business ownership will invalidate your Core Provider Agreement.

The new owner must call the Provider Enrollment Unit (see Important Contacts) to acquire a Core Provider Agreement.

Return the annual prescription count survey to:

Provider Enrollment Unit
Division of Program Support
PO Box 45562
Olympia, WA 98504-5562